BEFORE THE DIVISION OF INSURANCE

STATE OF COLORADO

FINAL AGENCY ORDER O-07-004

IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF ROCKY MOUNTAIN HEALTHCARE OPTIONS, INC.,

Respondent

THIS MATTER comes before the Colorado Commissioner of Insurance (the "Commissioner") as a result of a market conduct examination conducted by the Colorado Division of Insurance (the "Division") of Rocky Mountain HealthCare Options, Inc. (the "Respondent"), pursuant to §§ 10-1-201 to 207, C.R.S. The Commissioner has considered and reviewed the market conduct examination report dated March 24, 2006 (the "Report"), relevant examiner work papers, all written submissions and rebuttals, and the recommendations of staff. The Commissioner finds and orders as follows:

FINDINGS OF FACT

1. At all relevant times, the Respondent was licensed by the Division to operate as a non-profit hospital, medical-surgical health service corporation in Colorado.

2. In accordance with §§ 10-1-201 to 207, C.R.S., on March 24, 2006, the Division completed a market conduct examination of the Respondent. The examination period was January 1, 2004 to December 31, 2004.

3. In scheduling the market conduct examination and in determining its nature and scope, the Commissioner considered such matters as complaint analyses, underwriting and claims practices, pricing, product solicitation, policy form compliance, market share analyses, and other criteria as set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners, as required by § 10-1-203(1), C.R.S.

4. In conducting the examination, the examiners observed those guidelines and procedures set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners and the Colorado insurance examiners handbook. The Commissioner also employed other guidelines and procedures that he deemed appropriate, pursuant to § 10-1-204(1), C.R.S.

5. The market conduct examiners prepared a Report. The Report is comprised of only the facts appearing upon the books, records, or other documents of the Respondent, its agents or other persons examined concerning Respondent's affairs. The Report contains the conclusions and recommendations that the examiners find reasonably warranted based upon the facts.

6. Respondent delivered to the Division written submissions and rebuttals to the Report.

7. The Commissioner has fully considered and reviewed the Report, all of Respondent's submissions and rebuttals, and all relevant portions of the examiner's work papers.

CONCLUSIONS OF LAW AND ORDER

8. Unless expressly modified in this Final Agency Order (the "Order"), the Commissioner adopts the facts, conclusions and recommendations contained in the Report. A copy of the Report is attached to the Order and is incorporated by reference.

9. Issue E1 concerns the following violation: Failure, in some cases, to limit the look-back period in its forms for questions related to health information to the maximum five (5) year period. The Respondent shall provide evidence that it has revised all applicable forms to ensure that questions related to health status are limited to the maximum five (5) year look-back period in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.

10. Issue E2 concerns the following violation: Failure of forms, in some cases, to correctly define all the instances that would qualify dependents to enroll after the initial open enrollment period without being considered a late enrollee. The Respondent shall provide evidence that it has revised all affected forms to correctly define all instances that would qualify dependents to enroll after the initial open enrollment period without being considered a late enrollee to ensure compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.

11. Issue E3 concerns the following violation: Failure to include only appropriate questions in its form used for determining whether someone qualifies as a disabled dependent. The Respondent shall provide evidence that it has revised its certification of handicapped dependent form by January 1, 2007, to only include questions directly related to the

dependent's disability and dependence on the parent to ensure compliance with Colorado insurance law.

12. Issue E4 concerns the following violation: Failure of forms to provide accurate information regarding the rights of members to contact the Colorado Division of Insurance on any and all matters of concern. The Respondent shall provide evidence that it has revised its forms by January 1, 2007, to permit filing a complaint on any and all matters of concern to ensure compliance with Colorado insurance law.

13. Issue E5 concerns the following violation: Failure of forms to limit exclusions for expenses related to the AIDS illness to the same extent as other covered illnesses and conditions. The Respondent shall provide evidence that it has revised its forms by January 1, 2007, to exclude or limit coverage for AIDS and HIV related illnesses consistent with other illnesses or conditions in the policy to ensure compliance with Colorado insurance law.

14. Issue E6 concerns the following violation: Failure to properly title its Basic and Standard Health Benefit contracts. The Respondent shall provide evidence that it has revised its forms by January 1, 2007, to properly title its Basic and Standard Health Benefit contracts to ensure compliance with Colorado insurance law.

15. Issue E7 concerns the following violation: Utilizing forms that inequitably represent that the respondent is solely responsible for determining if medical services and/or treatments are experimental in nature. The Respondent shall provide evidence that it has revised its forms for determining if medical services and/or treatments are experimental in nature as generally accepted in the medical community by January 1, 2007, to ensure compliance with Colorado insurance law.

16. Issue E8 concerns the following violation: Failure, in some instances, to file and certify a new policy form in accordance with Colorado insurance law. The Respondent shall provide evidence that it has revised its procedures to file and certify new policy forms to ensure compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.

17. Issue E9 concerns the following violation: Failure of forms to properly describe the home health care and hospice care services in accordance with Colorado insurance law. The Respondent shall provide evidence that it has revised its forms by January 1, 2007, to properly describe home health care and hospice care services to ensure compliance with Colorado insurance law.

18. Issue G1 concerns the following violation: Failure to obtain the required employer listing of eligible dependents. The Respondent shall provide evidence that it has revised its procedures to ensure that all small employer groups provide a complete listing of eligible dependents to ensure compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.

19. Issue H1 concerns the following violation: Failure, in some cases, to issue certificates of creditable coverage that reflect the definition of "Significant break in coverage". The Respondent shall provide evidence that it has revised its procedures to ensure that issued certificates of creditable coverage reflect the definition of "Significant break in coverage" in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.

20. Issue H2 concerns the following violation: Failure to use policies and procedures in individual plan cancellations that do not permit unfair discrimination. The Respondent shall provide evidence that it has revised its cancellation/termination procedures to ensure that unfair discrimination is not permitted in compliance with Colorado insurance law.

21. Issue J1 concerns the following violation: Failure, in some instances, to pay, deny, or settle claims within the time frames required by Colorado insurance law. The Respondent shall provide evidence that it has revised its procedures to ensure that all claims are paid, denied, or settled within the required time frames in compliance with Colorado insurance law.

22. Issue J2 concerns the following violation: Failure, in some instances, to pay interest and/or penalty on claims not processed within the time frames required by law. The Respondent shall provide evidence that it has revised its procedures to ensure that interest and/or penalty is paid on those claims not processed within such required time frames in compliance with Colorado insurance law. Additionally, Respondent shall perform a self audit on all claims not processed within the required time frames, and pay any interest and/or penalties due to the appropriate persons for the period beginning January 1, 2004 to July 24, 2006. Respondent shall submit a summary of the findings of the self audit to the Division on or before December 1, 2006.

23. Issue J3 concerns the following violation: Failure, in some instances, to pay eligible charges or to request the additional information needed to properly adjudicate claims. The Respondent shall provide evidence that it has reviewed and modified its quality controls to ensure that its processing staff

is properly trained to make appropriate decisions and thus avoid denying eligible claims in compliance with Colorado insurance law.

24. Issue J4 concerns the following violation: Failure to use claim payment procedures that do not result in unnecessary delays. The Respondent shall provide evidence that it has revised its claim payment procedures to limit requests for additional information to only those instances in which additional information is necessary for the Respondent to determine its liability, to ensure compliance with Colorado insurance law.

25. Issue K1 concerns the following violation: Failure, in some instances, to include all required elements in written notification letters sent to members and providers regarding appeals. The Respondent shall provide evidence that it has revised its procedures to ensure that its written notification letters regarding appeals contain all required elements in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.

26. Issue K2 concerns the following violation: Failure, in some instances, to make utilization review approval determinations or to notify the member and provider of the determination in the manner and time frame allowed by Colorado insurance law. The Respondent shall provide evidence that it has revised its utilization review approval procedures to ensure that utilization review determinations are made and communicated in the proper manner and within the required time frame in compliance with Colorado insurance law.

27. Issue K3 concerns the following violation: Failure, in some instances, to provide written notification of adverse utilization review denials or to provide the notifications within the time frames required by Colorado insurance law. The Respondent shall provide evidence that it has revised its procedures to ensure that written notifications of utilization review denials are sent within the appropriate time frame to all mandated individuals in compliance with Colorado insurance law.

28. Issue K4 concerns the following violation: Failure, in some instances, to include all required elements in written notifications of utilization review denials sent to members and providers. The Respondent shall provide evidence that it has revised its procedures to ensure that written notification of utilization review denials include all necessary elements in compliance with Colorado insurance law.

29. Pursuant to § 10-1-205(3)(d), C.R.S., the Respondent shall pay a civil penalty to the Division in the amount of twenty-two thousand dollars and no/100 ($22,000.00) for the cited violations of Colorado law. This fine was calculated in accordance with Division guidelines for assessing penalties and fines, including Division bulletin no. 1-98, issued on January 1, 1998.

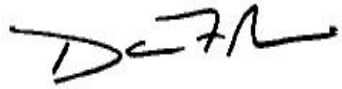
30. Pursuant to § 10-1-205(4)(a), C.R.S. within sixty (60) days of the date of this Order, the Respondent shall file affidavits with the Division executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

31. Unless otherwise specified in this Order, all requirements with this Order shall be completed within thirty (30) days of the date of this Order. Respondent shall submit written evidence of compliance with all requirements to the Division within the thirty (30) day time frame, except where Respondent has already complied, as specifically noted in the Order. Copies of any rate and form filings shall be provided to the rate and forms section with evidence of the filings sent to the market conduct section. All self audits, if any, shall be performed in accordance with the Division's document, 'Guidelines for Self Audits Performed by Companies' presented at the market conduct examination exit meeting. Unless otherwise specified in this order, all self audit reports must be received within ninety (90) days of this Order, including a summary of the findings and all monetary payments to covered persons.

32. This Order shall not prevent the Division from commencing future agency action relating to conduct of the Respondent not specifically addressed in the Report, not resolved according to the terms and conditions in this Order, or occurring before or after the examination period. Failure by the Respondent to comply with the terms of this Order may result in additional actions, penalties and sanctions, as provided for by law.

33. Copies of the examination report, the Respondent's response, and this final Order will be made available to the public no earlier than thirty (30) days after the date of this Order, subject to the requirements of § 10-1-205, C.R.S.

WHEREFORE: It is hereby ordered that the findings and conclusions contained in the Report dated March 24, 2006, are hereby adopted and filed and made an official record of this office, and the above Order is hereby approved this 25th day of October, 2006.



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David F. Rivera
Commissioner of Insurance

CERTIFICATE OFCERTIFIED MAILING

I hereby certify that on the 26th day of October, 2006, I caused to be deposited the **FINAL AGENCY ORDER NO. O-07-004 IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF ROCKY MOUNTAIN HEALTHCARE OPTIONS, INC.,** in the United States mail via certified mailing with proper postage affixed and addressed to:

Mr. John P. Hopkins, President
Rocky Mountain HealthCare Options, Inc.
2775 Crossroads Blvd.
Grand Junction, CO 81506

Mr. Tim Sherman, Compliance Manager
Rocky Mountain HealthCare Options, Inc.
2775 Crossroads Blvd.
Grand Junction, CO. 81506

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Dolores Arrington, AIE,AIRC,ACS,M.A.
Market Conduct Section
Division of Insurance